

## Purchases by Federal Government Employees

## Sales & Use tax notice

This notice replaces the notice dated January 2000. This notice is intended to clarify the taxability of purchases of tangible personal property and/or services by federal government employees. Purchases made by federal government employees who pay the bill and are later reimbursed by the federal government are taxable. Thus, when a federal government employee, even if on official business, pays by cash, by personal check, or by a personal or non-qualifying credit card, sales tax should be collected.

However, when government employees make authorized purchases using credit cards that are billed directly to the federal government, no sales tax is due. Tenn. Code Ann. Section 67-6-308 provides that “no sales or use tax shall be payable on account of any direct sale or lease of tangible personal property or services to the United States, or any agency thereof created by Congress, for consumption or use directly by it through its own government employees.”

Federally contracted credit cards are currently issued by a variety of banks under a contract with the General Services Administration (GSA). These cards are part of the GSA’s SmartPay program and may sometimes be called SmartPay Cards. The current GSA SmartPay program will be in effect until at least November 2003 and may be extended on a year-by-year basis until

2008. Cards that are directly billed to the federal government and, therefore, entitle the user to make purchases exempt from tax, are listed on the next page.

Visa and Mastercard travel cards identical to the travel cards listed above, except that the sixth digit of the credit card number is 1, 2, 3, or 4, are cards that are billed directly to individuals. Purchases made by government employees with cards billed to individuals are subject to sales tax. Qualifying purchases must be accompanied by a properly completed Tennessee government exemption certificate form.

Additionally, the department will consider the substance of a transaction. If a vendor knew or reasonably should have known that a purchaser misused a credit card, the vendor and/or the purchaser will be liable for the tax. If the vendor did not know and reasonably should not have known that the purchaser misused the credit card, the purchaser will be liable for the tax.

Have questions or comments? Please let us know. [Contact us.](#)

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Type of Credit Card	First 4 Digits of Credit Card No.	Required Special 6th Digit of Credit Card Number
<b>Voyager (Fleet Cards)</b> Imprinted with: "For Official US Government Fleet Use Only"	8699	None
<b>Mastercard (Fleet Cards)</b> Imprinted with: "For Official US Government Fleet Use Only"	5568	None
<b>Visa (Purchase Cards)</b> Imprinted with: "For Official US Government Purchases Only" & "US Government Exempt"	4486 4716	None
<b>Mastercard (Purchase Cards)</b> Imprinted with: "For Official US Government Purchases Only" & "US Government Exempt"	5568	None
<b>Visa &amp; Mastercard (Travel Cards)</b> Imprinted with: "For Official Government Travel Only"	4486 4716 5568	0, 6, 7, 8, or 9
<b>*Visa &amp; Mastercard (Integrated or Combined Cards)</b> Imprinted with: "For Official Government Use Only"	5568	Fifth and Sixth Digits are "16"
<p><b>* Special Note</b> - If the purchaser using an integrated or combined card does not present an I.D. from the Bureau of Reclamation, purchases of lodging or food are <u>not</u> exempt from tax. The vendor should keep a copy of the I.D. to support the exemption if the purchaser presents an I.D. from the Bureau of Reclamation and is using an integrated or combined card to purchase lodging or food.</p>		